

**CITY OF MENOMINEE, MICHIGAN**  
Notes To the Basic Financial Statements  
For the Year Ended June 30, 2006

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**NOTE 8 - RETIREMENT COMMITMENTS (Continued):**

	<u><b>Eligibility</b></u>	<u><b>Amount</b></u>
Service Retirement:	Police: Any age with 20 or more years of service or age 60 regardless of service.	Straight life pension equals 2.5% of 3 year average final compensation (AFC) times years of service.
	Fire: Age 50 with 25 or more years of service or age 60 regardless of service	Straight life pension equals 3.0% of 3 year AFC times years of service - Lump sum payments for unused vacation are included in AFC for Firefighters.
Deferred Retirement:	10 or more years of service.	Computed as service retirement but based upon service, AFC and benefit in effect at termination. Benefit begins at date retirement would have occurred had member remained in employment.
Death After Retirement Survivor's Pension:	Payable to a surviving spouse, if any, upon the death of a retired member who was receiving a straight life pension which was effective July 1, 1975 or later.	Spouse's pension equals 60% of the straight life pension the deceased retiree was receiving.
Non-Duty Death-In-Service Survivor's Pension:	Payable to a surviving spouse, if any, upon the death of a member with 20 or more years of service.	Accrued straight life pension actuarially reduced in accordance with an Option I election.
Duty Death-In-Service Survivor's Pension:	Payable upon the expiration of worker's compensation to the survivors of a member who died in the line of duty.	Same amount that was paid by worker's compensation.
Non-Duty Disability:	Payable upon the total and permanent disability of a member with 5 or more years of service.	To Age 55: 1.5% of AFC times years of service. At age 55: Same as Service Retirement Pension.
Duty Disability:	Payable upon the total and permanent disability of a member in the line of duty.	To Age 55: 50% of AFC. At age 55: Same as Service Retirement Pension with service credit from date of disability to Age 55.



**CITY OF MENOMINEE, MICHIGAN**  
Notes To the Basic Financial Statements  
For the Year Ended June 30, 2006

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**NOTE 8 - RETIREMENT COMMITMENTS (Continued):**

**Post-Retirement Increases**

A one-time bonus of \$350 was paid to persons receiving benefits as of December, 1, 1988.

**Member Contributions**

5.3% Police

5.0% Fire

Upon retirement, a fire member may withdraw their accumulated contributions with interest and receive correspondingly reduced lifetime benefit.

**City's Contributions**

4.73% Police

10.62% Fire

**Actuarial Accrued Liability**

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of June 30, 2005. Significant actuarial assumptions used in determining the actuarial accrued liability included a) a rate of return on the investment of present and future assets of 8.0%, b) projected salary increases of 5% per year compounded annually, attributable to inflation and c) additional salary increases of 5.2% to 9% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the June 30, 2005 actuarial valuation to determine the annual employer contribution amounts. The individual entry-age actuarial cost method was used to determine the entries at disclosure.

**GASB 25 Information (As of 6/30/05)**

Actuarial Accrued Liability:	
To Retirees and Beneficiaries	\$ 4,251,682
To Present Active Members:	
Member Contributions	687,817
Employer Financed Portion	4,553,046
Total Actuarial Accrued Liability	<u>9,492,545</u>
Actuarial Value of Assets	9,640,612
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ (148,067)</u>



**CITY OF MENOMINEE, MICHIGAN**  
Notes To the Basic Financial Statements  
For the Year Ended June 30, 2006

**NOTE 8 - RETIREMENT COMMITMENTS (Continued):**

**GASB 27 Information**

Contributions required and made – The funding policy of the plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended June 30, 2005 were determined using the individual entry-age actuarial cost method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of thirty years. The following table provides a schedule of contribution amounts and percentages for recent years.

<b>Year Ended June 30,</b>	<b>Annual Required Contribution</b>	<b>Percent Contributed</b>
1999	\$ 64,985	100%
2000	61,725	100%
2001	59,524	100%
2002	62,238	100%
2003	72,637	100%
2004	91,468	100%

The amount shown above as the annual required contribution is the amount actually contributed in each fiscal year. These amounts are determined by applying the computed employer percent of payroll contribution rate to the actual pay during the fiscal year.

The employer portion of the contribution for the fiscal year ending June 30, 2006 was \$89,230.

**SCHEDULE OF FUNDING PROGRESS**

<b>Actuarial Valuation Date</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Entry Age Actuarial Accrued Liability</b>	<b>(b-a) Unfunded Accrued Liability (UAL)</b>	<b>(a/b) Fund ed Ratio</b>	<b>(c) Annual Covered Payroll</b>	<b>(b-a/c) UAL as a Percen- tage of Covered Payroll</b>
06/30/99	\$ 8,166,375	\$ 6,808,181	\$ 1,358,194	120%	\$ 1,086,706	-
06/30/00	8,681,934	7,153,496	1,528,438	121%	1,229,250	-
06/30/01	9,092,177	7,581,435	1,510,742	120%	1,339,922	-
06/30/02	9,347,631	7,737,906	1,609,725	121%	1,391,279	-
06/30/03	9,438,016	8,263,479	1,174,537	114%	1,397,778	-
06/30/04	9,556,866	8,904,193	652,673	107%	1,405,567	-
06/30/05	9,640,612	9,492,545	148,067	102%	1,484,043	-



**CITY OF MENOMINEE, MICHIGAN**  
Notes To the Basic Financial Statements  
For the Year Ended June 30, 2006

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**NOTE 8 - RETIREMENT COMMITMENTS (Continued):**

**GASB 27 Information (Continued)**

Membership of the plan consists of the following at June 30, 2005:

Retirees and Beneficiaries Receiving Benefits	27
Active Plan Members	<u>31</u>
Total	<u>58</u>

**Michigan Municipal Employees Retirement System (MERS)**

The City contributes to the Michigan Municipal Employees Retirement System (MERS), a multiple-employer public retirement system that acts as a common investment and administrative agent for municipalities in the State of Michigan. The plan issues a stand-alone financial report.

All full-time and certain part-time City employees, except for Police and Fire employees, who are covered exclusively under the Police and Fire Retirement System, are eligible to participate in the MERS. Benefits vest after 10 years of service. Normal retirement provisions of the MERS apply to participants who retire at or after age 60 with at least 10 years of credited service. Employees with 15 years of credited service may retire at or after age 55 with reduced benefits. Employees with 25 years or more of credited service may retire at or after age 50 with reduced benefits. Employees with 30 years of credited service may retire at or after age 55 with full benefits. The annual retirement benefits of non-union, Teamster, and Department Heads have a benefit which calls for benefits equal to 2 to 2.5 percent of average annual compensation for the last three years of employment multiplied by years of credited service with a maximum benefit of 80% of final average compensation.

**Actuarial Accrued Liability**

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2005. Significant actuarial assumptions used in determining the actuarial accrued liability include a) a rate of return on the investment of present and future assets of 8.0%, b) projected salary increases of 4.5% per year compounded annually, attributable to inflation and c) additional salary increases of 0.00% to 4.16% per year, depending on age, attributable to merit and longevity.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2005 actuarial valuation to determine the annual employer contribution amounts. The entry age normal cost method was used to determine the entries at disclosure.



**CITY OF MENOMINEE, MICHIGAN**  
Notes To the Basic Financial Statements  
For the Year Ended June 30, 2006

**NOTE 8 - RETIREMENT COMMITMENTS (Continued):**

**GASB 25 Information (As Of 12/31/05)**

Actuarial Accrued Liability:	
Retirees and Beneficiaries Currently Receiving Benefits	\$ 3,039,902
Terminated Employees not yet Receiving Benefits	282,338
Current Employees:	
Accumulated Employee Contributions Including Allocated Investment Income	141,383
Employer Financed	4,076,566
Total Actuarial Accrued Liability	<u>7,540,189</u>
Net Assets Available for Benefits at Actuarial Value (Market Value is \$5,993,727)	
	6,155,941
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ 1,384,248</u>
Fiscal Year Beginning	
	09/01/07
Annual Required Contribution (ARC)	
	\$ 224,184*
Amortization Factor Used – Underfunded Liabilities (30 Years)	
	0.053632

\*Based on valuation payroll, but the actual required contribution will be based on current monthly payroll times the computed employer contribution rate.

**GASB 27 Information**

The employer contribution rate has been determined based on the entry age normal cost method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry-age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit. The following table provides a schedule of contribution amounts and percentages of recent years.

Year Ended June 30,	Annual Required Contribution	Percent Contributed
2001	\$ 20,231	100%
2002	8,868	100%
2003	52,399	100%
2004	105,758	100%
2005	224,184	100%



**CITY OF MENOMINEE, MICHIGAN**  
Notes To the Basic Financial Statements  
For the Year Ended June 30, 2006

**NOTE 8 - RETIREMENT COMMITMENTS (Continued):**

**GASB 27 Information (Continued):**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a/c) UAL as a Percent- age of Covered Payroll
2001	\$ 5,884,383	\$ 5,921,115	\$ 36,732	99%	\$ 1,845,391	2%
2002	5,727,331	6,126,064	398,733	93%	1,887,625	21%
2003	5,842,880	6,484,027	641,147	90%	2,018,837	32%
2004	5,982,657	6,744,604	761,947	89%	2,031,211	38%
2005	6,155,941	7,540,189	1,384,248	82%	2,097,619	66%

Membership of the plan consists of the following at December 31, 2005:

Active Member	48
Vested Former Members	12
Retirees and Beneficiaries	45
Total	<u>105</u>

**NOTE 9 - RESTATEMENT OF BEGINNING NET ASSETS:**

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>
Net Assets – June 30, 2005 (as previously reported)	\$ 27,379,529	\$ 20,951,658
Additional Capital Assets - Library	1,332,669	-
Net Assets – As restated June 30, 2006	<u>\$ 28,712,198</u>	<u>\$ 20,951,658</u>

**NOTE 10 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS:**

Underground water contamination had been discovered at the City's closed landfill site. The City has installed a well monitoring system. The Environmental Protection Agency has signed off on the corrective action taken by the City. The annual operation and maintenance cost approximates \$45,000 per year. The City will be responsible for this cost into perpetuity.



**CITY OF MENOMINEE, MICHIGAN**  
Notes To the Basic Financial Statements  
For the Year Ended June 30, 2006

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**NOTE 11 - TAX INCREMENTAL DISTRICT:**

The City has established a separate capital project fund for a Tax Incremental Districts (TID) created by the City in accordance with the Brownfield Redevelopment Financing Act, Act 381 of the Public Acts of the State of Michigan Statutes of 1996. At the time the District was created, the property tax base within the District was "frozen" and increment taxes resulting from increases to the property tax base will be used to finance District improvements, including principal and interest on long-term debt issued by the City to finance such improvements. The City's District was created on December 20, 2005, and therefore is still eligible to incur project costs.

Since creation of the above District, the City has provided various financing sources to the TID. Detail of the amounts recoverable by the City as of June 30, 2006 from future excess tax increment revenues is \$147,473.

The intent of the City is to recover the above amount from future TID surplus funds, if any, prior to termination of the District.

**NOTE 12 - CONTINGENT LIABILITIES:**

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the City attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.



**CITY OF MENOMINEE, MICHIGAN**  
Notes To the Basic Financial Statements  
For the Year Ended June 30, 2006

**NOTE 13 – INTERFUND RECEIVABLES AND PAYABLES:**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due To/From Other Funds:		
General Fund	Brownfield TID	\$ 147,473
	Local Street	108,373
	Cemetery Operations	30,206
	Economic Development-GL P&F	500
	Spies Public Library	118,520
	Economic Development – MIW	680
	Spies Field Construction	436,536
	River Park	5,949
	Water	26,262
	Tax Collection	27,074
	Employee Flexible Benefit	2,118
Major Street	Wastewater	140,585
	Water	20,180
	General Fund	126,128
	Street Construction	13,350
Local Street	Major Street	182,564
	Wastewater	416
	Water	943
	Street Construction	9,396
Cemetery Perpetual Care	Cemetery Operations	660
Spies Field Project	Marina	200,000
Street Construction	General Fund	63,383
	Street Construction Debt Reduction	201,057
Cemetery Operations	Cemetery Perpetual Care	5,175
Downtown Development Authority	General Fund	903
Street Construction Debt Reduction	Major Street	499
	General Fund	199,471
Spies Library	Public Improvement	6,710
Wastewater	Water	25,585
	General Fund	19,363
Industrial Aid	General Fund	18,944
		<u>\$ 2,139,003</u>



**CITY OF MENOMINEE, MICHIGAN**  
Notes To the Basic Financial Statements  
For the Year Ended June 30, 2006

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**NOTE 14 - INTERFUND TRANSFERS:**

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
Major Street	General Fund	\$ 10,834
	Street Construction	293,063
Local Street	General Fund	20,209
	Major Street	98,088
	Street Construction	14,727
Cemetery Operations	General Fund	35,000
	Cemetery Perpetual Care	45,445
Economic Dev. - MIW	Econ. Dev. - Millworks	116,013
Spies Public Library	General Fund	317,833
	Public Improvement	69,313
Street Construction Debt	Major Street	159,217
Spies Field Improvement	Marina	200,000
	General Fund	100,000
		<u>\$ 1,479,742</u>

**NOTE 15 – FUTURE ACCOUNTING STANDARDS:**

In 2004, the Governmental Accounting Standards board (GASB) approved Statement No. 45. This Statement requires that state and local governments in the United States account for and report the annual cost of OPEB (Other Post Employment Benefits) and the outstanding obligation and commitments. GASB Statement 45 *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pension* is effective for the fiscal year beginning July 1, 2009. The effect of this accounting standard on the City's financial statements in future years has not been determined.



## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual Comparisons  
General Fund  
For the Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>REVENUES:</b>				
Property Taxes	\$ 3,021,523	\$ 3,021,523	\$ 3,030,730	\$ 9,207
Federal Grants	-	11,578	24,047	12,469
State Grants	4,500	4,500	7,243	2,743
State Shared Revenue	1,198,000	1,229,042	1,206,046	(22,996)
Licenses and Permits	103,300	103,300	122,688	19,388
Fines and Forfeitures	37,500	37,500	31,805	(5,695)
Interest and Rentals	31,770	31,770	74,961	43,191
Charges for Services	4,000	4,000	2,500	(1,500)
Other	113,972	126,972	298,702	171,730
<b>Total Revenues</b>	<u>4,514,565</u>	<u>4,570,185</u>	<u>4,798,722</u>	<u>228,537</u>
<b>EXPENDITURES:</b>				
<b>General Government</b>				
City Council	15,916	15,916	22,124	(6,208)
Judicial - Other Labor	3,000	3,000	1,036	1,964
City Mayor	2,362	2,362	1,893	469
City Manager	129,516	157,916	154,687	3,229
Elections	9,241	9,241	10,978	(1,737)
Assessor	61,673	64,973	64,499	474
City Attorney	132,853	181,853	186,402	(4,549)
Clerk/Treasurer	287,126	282,155	279,133	3,022
Board of Review	1,827	1,827	1,599	228
Building and Grounds	137,066	143,666	143,316	350
<b>Total General Government</b>	<u>780,580</u>	<u>862,909</u>	<u>865,667</u>	<u>(2,758)</u>
<b>Public Safety</b>				
Police Department	1,123,552	1,196,130	1,193,328	2,802
Fire Department	993,984	1,088,684	1,063,138	25,546
Building Inspector	107,029	107,029	105,258	1,771
Zoning Board of Appeals	400	400	613	(213)
Construction Board	200	200	-	200
Animal Control - Animal Care	66,230	66,230	65,342	888
Other Protection - Rescue Squad	8,000	8,000	-	8,000
<b>Total Public Safety</b>	<u>2,299,395</u>	<u>2,466,673</u>	<u>2,427,679</u>	<u>38,994</u>
<b>Highways, Street and Bridges</b>				
City Engineer	76,565	57,174	57,115	59
Street Lighting	114,370	114,370	106,682	7,688
Alleys	11,659	11,659	10,804	855
Non-motorized Construction	29,129	3,129	326	2,803
<b>Total Highways, Streets and Bridges</b>	<u>231,723</u>	<u>186,332</u>	<u>174,927</u>	<u>11,405</u>



**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual Comparisons  
General Fund  
For the Year Ended June 30, 2006

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Sanitation</b>				
Waste Collection	\$ 93,395	\$ 93,395	\$ 105,192	\$ (11,797)
Rubbish Collection	56,095	67,695	64,175	3,520
Landfill	175,066	228,066	217,165	10,901
Recycling	30,322	30,322	28,689	1,633
<b>Total Sanitation</b>	<u>354,878</u>	<u>419,478</u>	<u>415,221</u>	<u>4,257</u>
<b>Culture and Recreation</b>				
Parks Department	139,698	139,698	151,222	(11,524)
Marina	1,000	1,300	1,239	61
Henes Park	99,353	99,353	88,183	11,170
City Recreation	106,600	106,600	101,403	5,197
<b>Total Culture and Recreation</b>	<u>346,651</u>	<u>346,951</u>	<u>342,047</u>	<u>4,904</u>
<b>Other Functions</b>				
Community Development	1,600	1,600	950	650
Economic Development	36,753	50,453	39,692	10,761
Fixed Expenses	113,200	76,200	68,171	8,029
<b>Total Other Functions</b>	<u>151,553</u>	<u>128,253</u>	<u>108,813</u>	<u>19,440</u>
<b>Capital Outlay</b>	<u>145,000</u>	<u>232,300</u>	<u>167,035</u>	<u>65,265</u>
<b>Debt Service</b>	<u>113,634</u>	<u>113,634</u>	<u>126,764</u>	<u>(13,130)</u>
<b>Total Expenditures</b>	<u>4,423,414</u>	<u>4,756,530</u>	<u>4,628,153</u>	<u>128,377</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>91,151</u>	<u>(186,345)</u>	<u>170,569</u>	<u>100,160</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers in	167,236	167,236	-	(167,236)
Operating Transfers Out	(360,333)	(483,875)	(483,875)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(193,097)</u>	<u>(316,639)</u>	<u>(483,875)</u>	<u>(167,236)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(101,946)</u>	<u>(502,984)</u>	<u>(313,306)</u>	<u>189,678</u>
<b>FUND BALANCES - BEGINNING</b>	<u>1,287,125</u>	<u>1,287,125</u>	<u>1,287,125</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,185,179</u>	<u>\$ 784,141</u>	<u>\$ 973,819</u>	<u>\$ 189,678</u>



**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual Comparisons  
Major Street Fund  
For the Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>REVENUES:</b>				
Property Taxes	\$ 155,000	\$ 155,000	\$ 159,217	\$ 4,217
Federal Grants	-	-	584,900	584,900
State Grants and Shared Revenue	485,000	485,000	557,381	72,381
Other	30,000	30,000	14,551	(15,449)
<b>Total Revenues</b>	<u>670,000</u>	<u>670,000</u>	<u>1,316,049</u>	<u>646,049</u>
<b>EXPENDITURES:</b>				
Highways, Street and Bridges	413,500	413,500	438,726	(25,226)
Capital Outlay	1,400,000	1,400,000	877,965	522,035
<b>Total Expenditures</b>	<u>1,813,500</u>	<u>1,813,500</u>	<u>1,316,691</u>	<u>496,809</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,143,500)</u>	<u>(1,143,500)</u>	<u>(642)</u>	<u>1,142,858</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Long Term Debt				
Operating Transfers In	1,373,500	1,373,500	303,898	(1,069,602)
Operating Transfers Out	(230,000)	(230,000)	(257,305)	(27,305)
<b>Total Other Financing Sources (Uses)</b>	<u>1,143,500</u>	<u>1,143,500</u>	<u>46,593</u>	<u>(1,096,907)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	45,951	45,951
<b>FUND BALANCES - BEGINNING</b>	<u>76,922</u>	<u>76,922</u>	<u>76,922</u>	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 76,922</u>	<u>\$ 76,922</u>	<u>\$ 122,873</u>	<u>\$ 45,951</u>



**CITY OF MENOMINEE, MICHIGAN**

Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual Comparisons  
Local Street Fund  
For the Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>REVENUES:</b>				
State Grants and Shared Revenue	\$ 175,000	\$ 175,000	\$ 190,578	\$ 15,578
Other	12,000	12,000	7,448	(4,552)
<b>Total Revenues</b>	<u>187,000</u>	<u>187,000</u>	<u>198,026</u>	<u>11,026</u>
<b>EXPENDITURES:</b>				
Highways, Street and Bridges	223,500	223,500	246,530	(23,030)
Capital Outlay	250,000	250,000	18,327	231,673
<b>Total Expenditures</b>	<u>473,500</u>	<u>473,500</u>	<u>264,857</u>	<u>208,643</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(286,500)</u>	<u>(286,500)</u>	<u>(66,831)</u>	<u>219,669</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	286,500	286,500	133,023	(153,477)
<b>Total Other Financing Sources (Uses)</b>	<u>286,500</u>	<u>286,500</u>	<u>133,023</u>	<u>(153,477)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	66,192	66,192
<b>FUND BALANCES - BEGINNING</b>	<u>55,379</u>	<u>55,379</u>	<u>55,379</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 55,379</u>	<u>\$ 55,379</u>	<u>\$ 121,571</u>	<u>\$ 66,192</u>



**CITY OF MENOMINEE, MICHIGAN**  
Notes to the Budgetary Comparison Schedule  
For the Year Ended June 30, 2006

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**BUDGETS AND BUDGETARY ACCOUNTING:**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to the first Monday of March, every department submits to the city manager an itemized estimate of its expected income and expenditures during the next fiscal year for the department or activities under its control. The city manager then prepares a proposed budget. A public hearing is then held regarding the proposed budget.
- b. Not later than sixty days prior to July 1, a recommended budget within the tax limit and other revenue sources of the City is presented to the city council. The annual appropriations bill must then be passed no later than thirty days prior to July 1.
- c. The city manager may transfer budget amounts between departments within any fund and shall report such transfers to the council in writing in a timely manner. However, any revisions that alter the total expenditures of any fund must be approved by the city council.
- d. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds and Proprietary Funds.

**BASIS OF ACCOUNTING:**

The budget is prepared on the same modified accrual basis of accounting as applied to the governmental funds in the basic financial statements.



## **SUPPLEMENTARY INFORMATION**



**CITY OF MENOMINEE, MICHIGAN**

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2006

	<b>Permanent Cemetery Perpetual Care</b>	<b>Special Revenue Funds</b>					
	<b>Cemetery Operations</b>	<b>Waterfront Festival</b>	<b>Brownfield TID</b>	<b>Public Improvement</b>	<b>Downtown Development Authority</b>	<b>Drug Law Enforcement</b>	
<b>ASSETS:</b>							
Cash and Cash Equivalents	\$ -	\$ 25,404	\$ 34,903	\$ -	\$ -	\$ 21,726	\$ 7,485
Investments	1,071,946	12,025	-	-	126,000	125,026	-
Receivables-Net	-	-	-	-	-	-	-
Due From Other Funds	660	5,175	-	-	-	903	-
Receivable From Other Governments	-	-	-	-	-	-	-
Inventories and Prepaid Items	-	-	1,525	147,473	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,072,606</b>	<b>\$ 42,604</b>	<b>\$ 36,428</b>	<b>\$ 147,473</b>	<b>\$ 126,000</b>	<b>\$ 147,655</b>	<b>\$ 7,485</b>
<b>LIABILITIES:</b>							
Accounts Payable	\$ -	\$ 410	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Payroll	-	2,046	-	-	-	-	-
Due to Other Funds	5,175	30,866	-	147,473	6,710	-	-
Payable to Other Governments	-	-	-	-	-	-	-
Deferred Revenue	-	-	13,175	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>5,175</b>	<b>33,322</b>	<b>13,175</b>	<b>147,473</b>	<b>6,710</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>							
Reserved	1,067,431	13,128	-	-	-	-	-
Unreserved:							
Undesignated	-	(3,846)	23,253	-	119,290	147,655	7,485
<b>TOTAL FUND BALANCES</b>	<b>1,067,431</b>	<b>9,282</b>	<b>23,253</b>	<b>-</b>	<b>119,290</b>	<b>147,655</b>	<b>7,485</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,072,606</b>	<b>\$ 42,604</b>	<b>\$ 36,428</b>	<b>\$ 147,473</b>	<b>\$ 126,000</b>	<b>\$ 147,655</b>	<b>\$ 7,485</b>



Special Revenue Funds						Debt Service			Total
Spies Public Library	Menominee Iron Works	Neighborhood Preservation Project	Economic Development GLP&F	Economic Development Millworks	Community Development MSHDA	Street Construction Debt	Spies Public Library Debt	Menominee Paper Debt	
\$ 11,484	\$ 92,015	\$ -	\$ -	\$ -	\$ 39,018	\$ -	\$ -	\$ -	\$ 232,035
123,841	-	-	-	-	-	41,052	129,946	-	1,629,836
-	813,405	85,826	1,000	-	86,339	-	-	302,325	1,288,895
6,710	-	-	-	-	-	199,970	-	-	213,418
70,327	-	-	-	-	5,488	-	-	-	75,815
-	-	-	-	-	-	-	-	-	148,998
<u>\$ 212,362</u>	<u>\$ 905,420</u>	<u>\$ 85,826</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 130,845</u>	<u>\$ 241,022</u>	<u>\$ 129,946</u>	<u>\$ 302,325</u>	<u>\$ 3,588,997</u>
\$ 9,150	\$ -	\$ -	\$ -	\$ -	\$ 1,980	\$ -	\$ -	\$ -	\$ 11,540
3,585	-	-	-	-	-	-	-	-	5,631
118,520	680	-	500	-	-	201,057	-	-	510,981
-	-	85,826	-	-	-	-	-	-	85,826
-	-	-	-	-	86,339	-	-	302,325	401,839
<u>131,255</u>	<u>680</u>	<u>85,826</u>	<u>500</u>	<u>-</u>	<u>88,319</u>	<u>201,057</u>	<u>-</u>	<u>302,325</u>	<u>1,015,817</u>
21,391	-	-	-	-	42,526	39,965	129,946	-	1,314,387
59,716	904,740	-	500	-	-	-	-	-	1,258,793
<u>81,107</u>	<u>904,740</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>42,526</u>	<u>39,965</u>	<u>129,946</u>	<u>-</u>	<u>2,573,180</u>
<u>\$ 212,362</u>	<u>\$ 905,420</u>	<u>\$ 85,826</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 130,845</u>	<u>\$ 241,022</u>	<u>\$ 129,946</u>	<u>\$ 302,325</u>	<u>\$ 3,588,997</u>



**CITY OF MENOMINEE, MICHIGAN**  
Combining Statement of Revenues, Expenditures and Change in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2006

	Permanent	Special Revenue					
	Cemetery Perpetual Care	Cemetery Operations	Waterfront Festival	Brownfield TID	Public Improvement	Downtown Development Authority	Drug Law Enforcement
<b>REVENUES:</b>							
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,777	\$ -
State Grants	-	-	-	-	-	-	-
State Shared Revenue	-	-	-	-	-	-	-
Fines and Forfeits	-	-	-	-	-	-	-
Interest and Rentals	-	292	-	-	5,519	4,725	63
Charges for Services	5,198	100,375	-	-	-	-	-
Other	18,455	-	126,406	-	-	10,519	-
<b>Total Revenues</b>	<u>23,653</u>	<u>100,667</u>	<u>126,406</u>	<u>-</u>	<u>5,519</u>	<u>21,021</u>	<u>63</u>
<b>EXPENDITURES:</b>							
Public Safety	-	176,881	-	-	-	-	7,204
Culture and Recreation	-	-	121,006	-	-	-	-
Other	6,548	-	-	-	149	14,807	-
Capital Outlay	-	-	-	-	-	-	-
Debt Service:							
Principal Retirement	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>6,548</u>	<u>176,881</u>	<u>121,006</u>	<u>-</u>	<u>149</u>	<u>14,807</u>	<u>7,204</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>17,105</u>	<u>(76,214)</u>	<u>5,400</u>	<u>-</u>	<u>5,370</u>	<u>6,214</u>	<u>(7,141)</u>
<b>OTHER FINANCING SOURCES (USES):</b>							
Operating Transfers In	-	80,445	-	-	-	-	-
Operating Transfers Out	(45,445)	-	-	-	(69,313)	-	-
<b>Total Other Financial Sources (Uses)</b>	<u>(45,445)</u>	<u>80,445</u>	<u>-</u>	<u>-</u>	<u>(69,313)</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(28,340)</u>	<u>4,231</u>	<u>5,400</u>	<u>-</u>	<u>(63,943)</u>	<u>6,214</u>	<u>(7,141)</u>
<b>FUND BALANCES - BEGINNING</b>	<u>1,095,771</u>	<u>5,051</u>	<u>17,853</u>	<u>-</u>	<u>183,233</u>	<u>141,441</u>	<u>14,626</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,067,431</u>	<u>\$ 9,282</u>	<u>\$ 23,253</u>	<u>\$ -</u>	<u>\$ 119,290</u>	<u>\$ 147,655</u>	<u>\$ 7,485</u>



Special Revenue						Debt Service			Totals
Spies Public Library	Menominee Iron Works	Neighborhood Preservation Project	Economic Development GL P&F	Economic Development Millworks	Community Development MSHDA	Street Construction Debt	Spies Public Library Debt	Menominee Paper Debt	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 331,559	\$ 94,000	\$ -	\$ 431,336
-	-	-	-	-	122,939	-	-	-	122,939
7,449	-	-	-	-	-	-	-	-	7,449
70,120	-	-	-	-	-	-	-	-	70,120
-	32,047	-	-	1,831	-	1,498	3,725	-	49,700
6,742	-	-	-	-	-	(2)	-	-	112,313
19,141	-	-	-	-	71,110	-	-	-	245,631
103,452	32,047	-	-	1,831	194,049	333,055	97,725	-	1,039,488
-	-	-	-	-	-	-	-	-	184,085
401,917	-	-	-	-	-	-	-	-	522,923
-	235,686	-	-	55,074	162,388	-	-	-	474,652
69,313	-	-	-	-	-	-	-	-	69,313
-	-	-	-	-	-	355,000	60,000	-	415,000
-	-	-	-	-	-	136,847	33,018	-	169,865
471,230	235,686	-	-	55,074	162,388	491,847	93,018	-	1,835,838
(367,778)	(203,639)	-	-	(53,243)	31,661	(158,792)	4,707	-	(796,350)
387,146	116,013	-	-	-	-	159,217	-	-	742,821
-	-	-	-	(116,013)	-	-	-	-	(230,771)
387,146	116,013	-	-	(116,013)	-	159,217	-	-	512,050
19,368	(87,626)	-	-	(169,256)	31,661	425	4,707	-	(284,300)
61,739	992,366	-	500	169,256	10,865	39,540	125,239	-	2,857,480
\$ 81,107	\$ 904,740	\$ -	\$ 500	\$ -	\$ 42,526	\$ 39,965	\$ 129,946	\$ -	\$ 2,573,180



**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Detailed Revenues - Budget and Actual  
General Fund  
For the Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget Favorable (Unfavorable)</u>
<b>TAXES:</b>				
<b>Assessed Value:</b>				
Real Property	\$ 2,268,063	\$ 2,268,063	\$ 2,332,140	\$ 64,077
Personal Property	639,710	639,710	571,604	(68,106)
<b>Total Assessed Value</b>	<u>2,907,773</u>	<u>2,907,773</u>	<u>2,903,744</u>	<u>(4,029)</u>
<b>Taxes Other Than Assessed Value:</b>				
In Lieu of Taxes-Housing	11,000	11,000	8,448	(2,552)
Mobile Home	750	750	954	204
<b>Total Taxes Other Than Assessed Value</b>	<u>11,750</u>	<u>11,750</u>	<u>9,402</u>	<u>(2,348)</u>
<b>Tax Administration Fee</b>	80,000	80,000	82,867	2,867
<b>Penalties and Interest on Taxes</b>	22,000	22,000	34,717	12,717
<b>Total Taxes</b>	<u>3,021,523</u>	<u>3,021,523</u>	<u>3,030,730</u>	<u>9,207</u>
<b>LICENSES AND PERMITS:</b>				
<b>Business Licenses and Permits:</b>				
CATV Franchises and Fees	80,000	80,000	95,772	15,772
Taxi Licenses	100	100	-	(100)
Vendor Permits	250	250	715	465
<b>Total Business Licenses and Permits</b>	<u>80,350</u>	<u>80,350</u>	<u>96,487</u>	<u>16,137</u>
<b>Nonbusiness Licenses and Permits:</b>				
Building	15,000	15,000	14,634	(366)
Occupancy	2,700	2,700	905	(1,795)
Rental Housing Inspections	5,000	5,000	10,180	5,180
Dog and Cat	-	-	42	42
Zoning	250	250	440	190
<b>Total Nonbusiness Licenses and Permits</b>	<u>22,950</u>	<u>22,950</u>	<u>26,201</u>	<u>3,251</u>
<b>Total Licenses and Permits</b>	<u>103,300</u>	<u>103,300</u>	<u>122,688</u>	<u>19,388</u>
<b>INTERGOVERNMENTAL REVENUES:</b>				
<b>Federal Grants</b>	-	11,578	24,047	12,469
<b>State Grants:</b>				
Michigan Justice Training	4,500	4,500	7,243	2,743
<b>Total State Grants</b>	<u>4,500</u>	<u>4,500</u>	<u>7,243</u>	<u>2,743</u>
<b>State Shared Revenue:</b>				
Income Sales and Use Tax	1,190,000	1,190,000	1,167,360	(22,640)
Liquor License	8,000	8,000	7,644	(356)
Maintenance Fee	-	31,042	31,042	-
<b>Total State Shared Revenue</b>	<u>1,198,000</u>	<u>1,229,042</u>	<u>1,206,046</u>	<u>(22,996)</u>
<b>Total Intergovernmental Revenues</b>	<u>1,202,500</u>	<u>1,245,120</u>	<u>1,237,336</u>	<u>(7,784)</u>
<b>CHARGES FOR SERVICE - Fire Runs and Protection</b>	<u>4,000</u>	<u>4,000</u>	<u>2,500</u>	<u>(1,500)</u>



**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Detailed Revenues - Budget and Actual  
General Fund  
For the Year Ended June 30, 2006

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance With Amended Budget Favorable (Unfavorable)</b>
<b>FINES AND FORFEITS:</b>				
Parking Violations	\$ 2,500	\$ 2,500	\$ 7,005	\$ 4,505
District Court	35,000	35,000	24,800	(10,200)
<b>Total Fines and Forfeits</b>	<u>37,500</u>	<u>37,500</u>	<u>31,805</u>	<u>(5,695)</u>
<b>INTEREST AND RENTALS</b>				
Interest on Investments	25,000	25,000	49,359	24,359
Interest on Special Assessments	-	-	1,331	1,331
Rent-Real Estate	6,770	6,770	4,220	(2,550)
Rent-Equipment	-	-	20,051	20,051
<b>Total Interest and Rentals</b>	<u>31,770</u>	<u>31,770</u>	<u>74,961</u>	<u>43,191</u>
<b>OTHER REVENUES:</b>				
Sale of Assets	9,000	9,000	62,558	53,558
Special Assessments	-	-	25,873	25,873
Boat Launch Fees	-	-	6,469	6,469
Copier Charges	5,000	5,000	2,732	(2,268)
Recycling	20,000	20,000	6,880	(13,120)
Refunds/Rebates	5,000	5,000	38,251	33,251
Other	4,000	4,000	52,144	48,144
Reimbursements-Utility	56,972	56,972	63,654	6,682
Donations	-	13,000	18,454	5,454
Gas/Diesel Sales	-	-	4,969	4,969
Recreation	14,000	14,000	16,718	2,718
<b>Total Other Revenues</b>	<u>113,972</u>	<u>126,972</u>	<u>298,702</u>	<u>171,730</u>
<b>OTHER FINANCING SOURCES:</b>				
Operating Transfer In	167,236	167,236	-	(167,236)
<b>Total Other Financing Sources</b>	<u>167,236</u>	<u>167,236</u>	<u>-</u>	<u>(167,236)</u>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u>\$ 4,681,801</u>	<u>\$ 4,737,421</u>	<u>\$ 4,798,722</u>	<u>\$ 61,301</u>



**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Detailed Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget Favorable (Unfavorable)</u>
<b>GENERAL GOVERNMENT:</b>				
<b>City Council:</b>				
Salaries	\$ 8,000	\$ 8,000	\$ 8,001	\$ (1)
Fringe Benefits	716	716	564	152
Office Supplies	100	100	35	65
Publications	7,000	7,000	3,544	3,456
Contract Services	-	-	9,386	(9,386)
Travel	100	100	594	(494)
<b>Total City Council</b>	<u>15,916</u>	<u>15,916</u>	<u>22,124</u>	<u>(6,208)</u>
<b>Judicial - Other Labor</b>	<u>3,000</u>	<u>3,000</u>	<u>1,036</u>	<u>1,964</u>
<b>City Mayor:</b>				
Salaries	1,250	1,250	1,250	-
Travel	1,000	1,000	548	452
<b>Total City Mayor</b>	<u>2,362</u>	<u>2,362</u>	<u>1,893</u>	<u>469</u>
<b>City Manager:</b>				
Salaries	97,750	109,650	109,601	49
Fringe Benefits	25,842	42,342	41,699	643
Longevity	1,254	1,254	1,254	-
Office Supplies	100	100	286	(186)
Publications	250	250	-	250
Auto Allowance	1,620	1,620	810	810
Travel	2,700	2,700	1,037	1,663
<b>Total City Manager</b>	<u>129,516</u>	<u>157,916</u>	<u>154,687</u>	<u>3,229</u>
<b>Elections:</b>				
Salaries	5,790	5,790	3,044	2,746
Fringe Benefits	451	451	15	436
Office Supplies	2,000	2,000	7,919	(5,919)
Publications	1,000	1,000	-	1,000
<b>Total Elections</b>	<u>9,241</u>	<u>9,241</u>	<u>10,978</u>	<u>(1,737)</u>
<b>Assessor:</b>				
Salaries	44,795	48,095	48,076	19
Fringe Benefits	11,183	11,183	11,590	(407)
Longevity	495	495	495	-
Office Supplies	3,700	3,700	3,508	192
Travel	1,500	1,500	830	670
<b>Total Assessor</b>	<u>61,673</u>	<u>64,973</u>	<u>64,499</u>	<u>474</u>



**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Detailed Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2006

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance With Amended Budget Favorable (Unfavorable)</b>
<b>GENERAL GOVERNMENT (CONTINUED):</b>				
<b>City Attorney:</b>				
Salaries	\$ 78,964	\$ 78,964	\$ 78,602	\$ 362
Fringe Benefits	41,695	41,695	43,408	(1,713)
Longevity	330	330	330	-
Office Supplies	600	600	579	21
Publications	7,000	7,000	6,914	86
Contract Services	2,000	51,000	55,436	(4,436)
Auto Allowance	264	264	264	-
Travel	2,000	2,000	869	1,131
<b>Total City Attorney</b>	<b>132,853</b>	<b>181,853</b>	<b>186,402</b>	<b>(4,549)</b>
<b>Clerk/Treasurer:</b>				
Salaries	159,347	145,347	144,187	1,160
Fringe Benefits	63,496	68,325	67,881	444
Longevity	1,683	1,683	1,485	198
Office Supplies	17,000	17,000	17,235	(235)
Postage	16,000	16,000	14,725	1,275
Equipment Maintenance	6,000	6,000	9,212	(3,212)
Audit	16,000	20,200	20,240	(40)
Auto Allowance	500	500	445	55
Travel	2,000	2,000	2,023	(23)
Lease/rental	5,100	5,100	1,700	3,400
<b>Total Clerk/Treasurer</b>	<b>287,126</b>	<b>282,155</b>	<b>279,133</b>	<b>3,022</b>
<b>Board of Review:</b>				
Salaries	1,000	1,000	1,393	(393)
Fringe Benefits	77	77	40	37
Office Supplies	250	250	94	156
Publications	500	500	72	428
<b>Total Board of Review</b>	<b>1,827</b>	<b>1,827</b>	<b>1,599</b>	<b>228</b>
<b>Building and Grounds:</b>				
Salaries	13,426	13,426	13,256	170
Fringe Benefits	8,987	8,987	8,201	786
Longevity	693	693	577	116
Operating and Building Supplies	24,100	24,100	29,306	(5,206)
Equipment Maintenance	12,000	12,000	14	11,986
Telephone	23,000	23,000	29,893	(6,893)
Electrical	33,000	33,000	34,634	(1,634)
Heat	17,765	24,365	24,355	10
Water	4,095	4,095	3,080	1,015
<b>Total Building and Grounds</b>	<b>137,066</b>	<b>143,666</b>	<b>143,316</b>	<b>350</b>
<b>Total General Government</b>	<b>780,580</b>	<b>862,909</b>	<b>865,667</b>	<b>(2,758)</b>



**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Detailed Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2006

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance With Amended Budget Favorable (Unfavorable)</b>
<b>PUBLIC SAFETY:</b>				
<b>Police Department:</b>				
Salaries	\$ 779,069	\$ 800,169	\$ 798,656	\$ 1,513
Fringe Benefits	239,441	268,941	271,997	(3,056)
Physical	6,000	6,000	4,139	1,861
Longevity	5,580	5,580	6,122	(542)
Operating Supplies	9,500	9,500	16,609	(7,109)
Uniforms	7,700	7,700	6,989	711
Police Lien	5,220	5,220	2,872	2,348
Travel	6,500	6,500	4,559	1,941
Equipment Maintenance	20,500	20,500	18,010	2,490
Radio Maintenance	4,500	4,500	3,306	1,194
Crossing Guards Salaries	15,000	15,000	11,555	3,445
Crossing Guards Fringe Benefits	1,396	1,396	653	743
Auxiliary Police Supplies	1,750	3,150	3,127	23
Michigan Justice Training Fund	5,000	5,000	2,934	2,066
OHSP Grant	-	11,578	16,720	(5,142)
Youth Alcohol Enforcement Grant	-	-	1,085	(1,085)
Gas, Oil and Grease	15,000	24,000	23,342	658
<b>Total Police Department</b>	<b>1,123,552</b>	<b>1,196,130</b>	<b>1,193,328</b>	<b>2,802</b>
<b>Fire Department:</b>				
Salaries	659,876	732,876	726,390	6,486
Fringe Benefits	85,460	90,360	73,445	16,915
Physical	194,770	202,470	210,764	(8,294)
Longevity	7,328	7,328	7,326	2
Miscellaneous Labor	1,500	1,500	-	1,500
Office Supplies	1,000	1,000	738	262
Subscriptions and Dues	1,200	1,200	1,515	(315)
Building Supplies	2,250	2,250	3,193	(943)
Operating Supplies	12,000	12,000	10,731	1,269
Uniforms	4,500	4,500	2,263	2,237
Equipment Maintenance	12,500	21,600	21,605	(5)
Radio Maintenance	3,500	3,500	1,405	2,095
Gas, Oil and Grease	2,100	2,100	2,914	(814)
Travel	6,000	6,000	849	5,151
<b>Total Fire Department</b>	<b>993,984</b>	<b>1,088,684</b>	<b>1,063,138</b>	<b>25,546</b>
<b>Building Inspector:</b>				
Salaries	72,548	72,548	70,870	1,678
Fringe Benefits	28,405	28,405	29,731	(1,326)
Longevity	396	396	363	33
Office Supplies	-	-	72	(72)
Operating Supplies	2,500	2,500	711	1,789
Auto Expense	1,680	1,680	1,680	-
Travel	1,500	1,500	1,831	(331)
<b>Total Building Inspector</b>	<b>107,029</b>	<b>107,029</b>	<b>105,258</b>	<b>1,771</b>



**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Detailed Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Favorable (Unfavorable)
<b>PUBLIC SAFETY (CONTINUED):</b>				
<b>Zoning Board of Appeals:</b>				
Publications	\$ 400	400	613	(213)
<b>Total Zoning Board of Appeals</b>	400	400	613	(213)
<b>Construction Board:</b>				
Salaries	100	100	-	100
Publications	100	100	-	100
<b>Total Construction Board</b>	200	200	-	200
<b>Animal Control-Animal Care:</b>				
Salaries	27,364	27,364	25,455	1,909
Fringe Benefits	17,516	17,516	18,635	(1,119)
Longevity	-	-	528	(528)
Animal Care	16,350	16,350	17,274	(924)
Deer Management	5,000	5,000	3,450	1,550
<b>Total Animal Control-Animal Care</b>	66,230	66,230	65,342	888
<b>Other Protection - Rescue Squad</b>				
	8,000	8,000	-	8,000
<b>Total Public Safety</b>	2,299,395	2,466,673	2,427,679	38,994
<b>HIGHWAYS, STREETS AND BRIDGES:</b>				
<b>City Engineer:</b>				
Salaries	45,320	31,320	34,618	(3,298)
Fringe Benefits	19,398	14,007	13,788	219
Longevity	297	297	297	-
Office Supplies	2,200	2,200	2,145	55
Dues	650	650	351	299
Operating Supplies	3,600	3,600	3,116	484
Travel	1,500	1,500	725	775
Equipment Maintenance	3,200	3,200	1,732	1,468
Auto Expense	400	400	343	57
<b>Total City Engineer</b>	76,565	57,174	57,115	59
<b>Street Lighting:</b>				
Salaries	1,000	1,000	284	716
Fringe Benefits	220	220	41	179
Outside Labor	3,000	3,000	1,601	1,399
Operating Supplies	2,000	2,000	3,164	(1,164)
Electric	108,150	108,150	101,592	6,558
<b>Total Street Lighting</b>	114,370	114,370	106,682	7,688
<b>Alleys:</b>				
Salaries	6,000	6,000	4,455	1,545
Fringe Benefits	659	659	1,426	(767)
Operating Supplies	2,000	2,000	888	1,112
Equipment Rental	3,000	3,000	4,035	(1,035)
<b>Total Alleys</b>	11,659	11,659	10,804	855



**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Detailed Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2006

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance With Amended Budget Favorable (Unfavorable)</b>
<b>HIGHWAY, STREETS AND BRIDGES (CONTINUED):</b>				
<b>Non-Motorized Construction:</b>				
Salaries	\$ 1,000	\$ 1,000	\$ 253	\$ 747
Fringe Benefits	129	129	73	56
Operating Supplies	2,000	2,000	-	2,000
Contracted Services	26,000	-	-	-
<b>Total Non-Motorized Construction</b>	<b>29,129</b>	<b>3,129</b>	<b>326</b>	<b>2,803</b>
 <b>Total Highways, Streets and Bridges</b>	 <b>231,723</b>	 <b>186,332</b>	 <b>174,927</b>	 <b>11,405</b>
<b>SANITATION:</b>				
<b>Waste Collection:</b>				
Salaries	57,675	57,675	59,497	(1,822)
Fringe Benefits	18,621	18,621	20,926	(2,305)
Longevity	99	99	726	(627)
Gas, Oil and Grease	6,000	6,000	7,363	(1,363)
Operating Supplies	2,000	2,000	754	1,246
Equipment Maintenance	9,000	9,000	15,926	(6,926)
<b>Total Waste Collection</b>	<b>93,395</b>	<b>93,395</b>	<b>105,192</b>	<b>(11,797)</b>
<b>Rubbish Collection:</b>				
Salaries	32,500	32,500	27,887	4,613
Fringe Benefits	7,595	7,595	8,782	(1,187)
Contracted Services	16,000	27,600	27,506	94
<b>Total Rubbish Collection</b>	<b>56,095</b>	<b>67,695</b>	<b>64,175</b>	<b>3,520</b>
<b>Landfill:</b>				
Salaries	150	150	-	150
Operating Supplies	400	400	-	400
Contracted Services	27,000	56,000	46,655	9,345
Landfill Fees	133,000	146,000	145,092	908
Spring Clean-Up	14,516	25,516	25,418	98
<b>Total Landfill</b>	<b>175,066</b>	<b>228,066</b>	<b>217,165</b>	<b>10,901</b>
<b>Recycling:</b>				
Salaries	2,500	2,500	1,840	660
Fringe Benefits	1,222	1,222	618	604
Outside Labor	24,000	24,000	24,401	(401)
Utilities	600	600	198	402
Operating Supplies	1,000	1,000	560	440
Equipment Rental	1,000	1,000	1,072	(72)
<b>Total Recycling</b>	<b>30,322</b>	<b>30,322</b>	<b>28,689</b>	<b>1,633</b>
 <b>Total Sanitation</b>	 <b>354,878</b>	 <b>419,478</b>	 <b>415,221</b>	 <b>4,257</b>



**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Detailed Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2006

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance With Amended Budget Favorable (Unfavorable)</b>
<b>CULTURE AND RECREATION:</b>				
<b>Parks Department:</b>				
Salaries	\$ 68,129	\$ 68,129	\$ 68,693	\$ (564)
Fringe Benefits	21,060	21,060	26,051	(4,991)
Longevity	309	309	739	(430)
Special Projects	5,000	5,000	4,482	518
Operating Supplies	8,000	8,000	17,616	(9,616)
Building Supplies	700	700	2,047	(1,347)
Equipment Maintenance	7,000	7,000	2,385	4,615
Equipment Rental	1,000	1,000	1,539	(539)
Gas, Oil and Grease	2,000	2,000	2,842	(842)
Utilities	22,000	22,000	19,454	2,546
Other	4,500	4,500	5,374	(874)
<b>Total Parks Department</b>	<b>139,698</b>	<b>139,698</b>	<b>151,222</b>	<b>(11,524)</b>
<b>Marina:</b>				
Salaries	200	200	-	200
Operating Supplies	800	1,100	1,239	(139)
<b>Total Marina</b>	<b>1,000</b>	<b>1,300</b>	<b>1,239</b>	<b>61</b>
<b>Henes Park:</b>				
Salaries	59,275	59,275	49,139	10,136
Fringe Benefits	17,050	17,050	18,481	(1,431)
Longevity	528	528	-	528
Feed	1,500	1,500	1,170	330
Operating Supplies	7,500	7,500	5,612	1,888
Equipment Maintenance	4,000	4,000	2,935	1,065
Utilities	7,000	7,000	7,157	(157)
Gas, Oil and Grease	2,500	2,500	3,389	(889)
Special Projects	-	-	300	(300)
<b>Total Henes Park</b>	<b>99,353</b>	<b>99,353</b>	<b>88,183</b>	<b>11,170</b>
<b>City Recreation:</b>				
Salaries	68,195	68,195	65,173	3,022
Fringe Benefits	15,140	15,140	16,815	(1,675)
Longevity	276	276	277	(1)
Miscellaneous Labor	1,614	1,614	160	1,454
Operating Supplies	11,500	11,500	9,444	2,056
Auto Expense	200	200	67	133
Gasoline and Grease	725	725	855	(130)
Utilities	1,600	1,600	2,338	(738)
Travel	500	500	-	500
Equipment Maintenance	1,500	1,500	328	1,172
Equipment Rental	350	350	-	350
Other	5,000	5,000	5,946	(946)
<b>Total City Recreation</b>	<b>106,600</b>	<b>106,600</b>	<b>101,403</b>	<b>5,197</b>
<b>Total Culture and Recreation</b>	<b>346,651</b>	<b>346,951</b>	<b>342,047</b>	<b>4,904</b>



**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Detailed Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget Favorable (Unfavorable)</u>
<b>OTHER FUNCTIONS:</b>				
<b>Community Development:</b>				
Miscellaneous Labor	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Office Supplies	150	150	-	150
Postage	150	150	-	150
Publications	300	300	-	300
Demolition	-	-	950	(950)
<b>Total Community Development</b>	<u>1,600</u>	<u>1,600</u>	<u>950</u>	<u>650</u>
<b>Economic Development:</b>				
Christmas Decorations	4,000	4,000	3,336	664
Travel	1,000	1,000	906	94
Dues	7,253	7,253	6,740	513
Contracted Services	20,000	20,000	20,000	-
Legal	2,000	2,000	281	1,719
Miscellaneous	2,500	16,200	8,429	7,771
<b>Total Economic Development</b>	<u>36,753</u>	<u>50,453</u>	<u>39,692</u>	<u>10,761</u>
<b>Fixed Expenses:</b>				
Business Insurance and Bonds	60,000	60,000	53,232	6,768
Unemployment Compensation	-	-	176	(176)
Investment Fees	500	500	150	350
County Charge-Back	200	200	-	200
Employee Assistance Program	2,500	2,500	1,613	887
Other	50,000	13,000	13,000	-
<b>Total Fixed Expenses</b>	<u>113,200</u>	<u>76,200</u>	<u>68,171</u>	<u>8,029</u>
<b>Total Other Functions</b>	<u>151,553</u>	<u>128,253</u>	<u>108,813</u>	<u>19,440</u>
<b>CAPITAL OUTLAY:</b>				
City Council	11,000	11,000	-	11,000
Police Department	50,000	5,000	6,989	(1,989)
Parks Department	12,000	12,000	-	12,000
Street Department	60,000	60,000	19,075	40,925
Clerk/Treasurer	12,000	12,000	12,390	(390)
Sidewalks	-	112,300	112,298	2
Armory	-	20,000	12,448	7,552
Circle Lane	-	-	3,835	(3,835)
<b>Total Capital Outlay</b>	<u>145,000</u>	<u>232,300</u>	<u>167,035</u>	<u>65,265</u>



**CITY OF MENOMINEE, MICHIGAN**  
Schedule of Detailed Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2006

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance With Amended Budget Favorable (Unfavorable)</b>
<b>DEBT SERVICE:</b>				
Principal	\$ 113,634	\$ 113,634	\$ 126,764	\$ (13,130)
<b>Total Debt Service</b>	<u>113,634</u>	<u>113,634</u>	<u>126,764</u>	<u>(13,130)</u>
<b>OTHER FINANCING USES -</b>				
Operating Transfers Out	<u>360,333</u>	<u>483,875</u>	<u>483,875</u>	<u>-</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 4,783,747</u>	<u>\$ 5,240,405</u>	<u>\$ 5,112,028</u>	<u>\$ 128,377</u>



**CITY OF MENOMINEE, MICHIGAN**

Combining Statement of Net Assets

Nonmajor Proprietary Funds

June 30, 2006

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	<b>River Park</b>	<b>Industrial Aid</b>	<b>Total</b>
<b>ASSETS:</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 291,340	\$ -	\$ 291,340
Due From Other Funds	-	18,944	18,944
<b>Total Current Assets</b>	<u>291,340</u>	<u>18,944</u>	<u>310,284</u>
<b>Noncurrent Assets</b>			
Capital Assets - Net of Depreciation	751,669	354,522	1,106,191
<b>Total Noncurrent Assets</b>	<u>751,669</u>	<u>354,522</u>	<u>1,106,191</u>
<b>TOTAL ASSETS</b>	<u>1,043,009</u>	<u>373,466</u>	<u>1,416,475</u>
<b>LIABILITIES:</b>			
<b>Current Liabilities</b>			
Accounts Payable	333	-	333
Accrued Expense	1,088	-	1,088
Due to Other Funds	5,949	-	5,949
<b>Total Current Liabilities</b>	<u>7,370</u>	<u>-</u>	<u>7,370</u>
<b>TOTAL LIABILITIES</b>	<u>7,370</u>	<u>-</u>	<u>7,370</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	751,669	354,522	1,106,191
Unrestricted	283,970	18,944	302,914
<b>TOTAL NET ASSETS</b>	<u>\$ 1,035,639</u>	<u>\$ 373,466</u>	<u>\$ 1,409,105</u>



**CITY OF MENOMINEE, MICHIGAN**

Combining Statement of Revenues, Expenses and Changes in Net Assets  
 Nonmajor Proprietary Funds  
 For the Year Ended June 30, 2006

	<b>River Park</b>	<b>Industrial Aid</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>			
Other Revenues	\$ 89,809	\$ 3,000	\$ 92,809
<b>Total Operating Revenues</b>	<u>89,809</u>	<u>3,000</u>	<u>92,809</u>
<b>OPERATING EXPENSES:</b>			
Personal Services	34,267	-	34,267
Utilities	16,520	-	16,520
Repairs and Maintenance	4,552	-	4,552
Other Supplies and Expenses	9,897	-	9,897
Depreciation	33,961	-	33,961
<b>Total Operating Expenses</b>	<u>99,197</u>	<u>-</u>	<u>99,197</u>
<b>Operating Income (Loss)</b>	<u>(9,388)</u>	<u>3,000</u>	<u>(6,388)</u>
<b>NONOPERATING REVENUE (EXPENSES):</b>			
Interest and Investment Revenue	8,949	-	8,949
Gain on Repossession of Asset	-	29,702	29,702
<b>Total Nonoperating Revenue (Expenses)</b>	<u>8,949</u>	<u>29,702</u>	<u>38,651</u>
<b>CHANGE IN NET ASSETS</b>	(439)	32,702	32,263
<b>NET ASSETS - BEGINNING</b>	<u>1,036,078</u>	<u>340,764</u>	<u>1,376,842</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 1,035,639</u>	<u>\$ 373,466</u>	<u>\$ 1,409,105</u>



**CITY OF MENOMINEE, MICHIGAN**

Combining Statement of Cash Flows

Nonmajor Proprietary Funds

For the Year Ended June 30, 2006

	<b>River Park</b>	<b>Industrial Aid</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts From Customers	\$ 89,809	\$ 3,000	\$ 92,809
Payments to Suppliers	(33,764)	-	(33,764)
Payments to Employees	(34,076)	-	(34,076)
Internal Activity - Receipts From Other Funds	(3,147)	14,901	11,754
<b>Net Cash From Operating Activities</b>	<u>18,822</u>	<u>17,901</u>	<u>36,723</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Repossession of Capital Assets	-	(28,484)	(28,484)
<b>Net Cash From Capital and Related Financing Activities</b>	<u>-</u>	<u>(28,484)</u>	<u>(28,484)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest Income	8,949	-	8,949
<b>Net Cash From Investing Activities</b>	<u>8,949</u>	<u>-</u>	<u>8,949</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	27,771	(10,583)	17,188
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>263,569</u>	<u>10,583</u>	<u>274,152</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u><u>\$ 291,340</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 291,340</u></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ (9,388)	\$ 3,000	\$ (6,388)
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities:			
Depreciation	33,961	-	33,961
Changes in Non-Cash Components of Working Capital			
Due From Other Funds	-	14,901	14,901
Accounts Payable	(2,795)	-	(2,795)
Accrued Expenses	191	-	191
Due to Other Funds	(3,147)	-	(3,147)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u><u>\$ 18,822</u></u>	<u><u>\$ 17,901</u></u>	<u><u>\$ 36,723</u></u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS:</b>			
Unrestricted Cash and Investments	<u>\$ 291,340</u>	<u>\$ -</u>	<u>\$ 291,340</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u><u>\$ 291,340</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 291,340</u></u>



**CITY OF MENOMINEE, MICHIGAN**

Combining Statement of Net Assets

Employee Trust Fund

June 30, 2006

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	<b>Police and Fire Retirement</b>	<b>Employee Flexible Benefits</b>	<b>Totals</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 176,451	\$ 5,008	\$ 181,459
Investments at Fair Value:			
Corporate Stocks	2,126,255	-	2,126,255
Other Investments	7,154,347	-	7,154,347
Total Investments	9,280,602	-	9,280,602
<b>TOTAL ASSETS</b>	<b>\$ 9,457,053</b>	<b>\$ 5,008</b>	<b>\$ 9,462,061</b>
<b>LIABILITIES:</b>			
Due to Other Funds	\$ -	\$ 2,118	\$ 2,118
<b>Total Liabilities</b>	<b>-</b>	<b>2,118</b>	<b>2,118</b>
<b>NET ASSETS:</b>			
Held in Trust for Employees' Retirement System	9,457,053	-	9,457,053
Reserved for Employees' Benefits	-	2,890	2,890
<b>Total Net Assets</b>	<b>9,457,053</b>	<b>2,890</b>	<b>9,459,943</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,457,053</b>	<b>\$ 5,008</b>	<b>\$ 9,462,061</b>



**CITY OF MENOMINEE, MICHIGAN**  
Combining Statement of Changes in Net Assets  
Employee Trust Fund  
For the Year Ended June 30, 2006

	<u>Police and Fire Retirement</u>	<u>Employee Flexible Benefits</u>	<u>Totals</u>
<b>ADDITIONS:</b>			
Contributions:			
Employees	\$ 77,186	\$ 8,567	\$ 85,753
Employer	104,152	-	104,152
Investment Revenues	567,735	-	567,735
Other	-	5,499	5,499
<b>Total Additions</b>	<u>749,073</u>	<u>14,066</u>	<u>763,139</u>
<b>DEDUCTIONS:</b>			
Annuities	428,396	-	428,396
Benefits	-	8,567	8,567
<b>Total Deductions</b>	<u>428,396</u>	<u>8,567</u>	<u>436,963</u>
<b>CHANGES IN NET ASSETS</b>	320,677	5,499	326,176
<b>NET ASSETS - BEGINNING</b>	<u>9,136,376</u>	<u>(491)</u>	<u>9,135,885</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$ 9,457,053</u></u>	<u><u>\$ 5,008</u></u>	<u><u>\$ 9,462,061</u></u>



## **ADDITIONAL INDEPENDENT ACCOUNTANTS' REPORTS**





# KERBER, ROSE & ASSOCIATES, S.C.

*Certified Public Accountants*

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Common Council  
City of Menominee  
Menominee, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Menominee, Michigan (City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Honorable Mayor and Common Council  
City of Menominee, Michigan

We also noted certain additional matters that we reported to management of the City in a separate letter dated December 14, 2006.

This report is intended solely for the information of the Council, management and awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

*Kerber, Rose & Associates, S.C.*

**KERBER, ROSE & ASSOCIATES, S.C.**

**Certified Public Accountants**

December 14, 2006





# KERBER, ROSE & ASSOCIATES, S.C.

*Certified Public Accountants*

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and Common Council  
City of Menominee  
Menominee, Michigan

### Compliance

We have audited the compliance of City of Menominee, Michigan, (City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable its major federal program for the year ended June 30, 2006. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable its major federal program for the year ended June 30, 2006.

### Internal Control Over Compliance

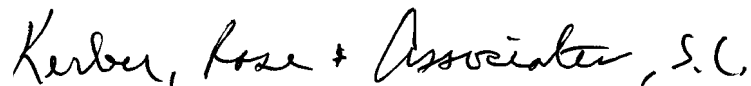
The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Honorable Mayor and Common Council  
City of Menominee

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, City's management, Michigan Department of Transportation, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Kerber, Rose & Associates, S.C.".

**KERBER, ROSE & ASSOCIATES, S.C.**

**Certified Public Accountants**

December 14, 2006



## **FEDERAL AWARDS SECTION**



**CITY OF MENOMINEE**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2006

Federal Grantor/ Pass-Through Grantor/ Program Title Grant Number	Federal CFDA Number	Approved Grant/Award Amount	Accrued (Deferred) Revenue 6/30/2005
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b>Federal Highway Administration:</b>			
55428 Federal Surface Transportation	20.205	\$ 350,800	\$ -
STE55011 Federal Surface Transportatio	20.205	121,100	-
STP 0555 Federal Surface Transportator	20.205	330,667	-
<b>Total</b>		802,567	-
<b>U.S. Highway Safety Administration:</b>			
Police Traffic Services	20.600	33,284	10,820
Youth Alcohol Enforcement	16.727	12,525	-
<b>Total</b>		45,809	10,820
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>		848,376	10,820
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Economic Development Initiative	14.251	223,673	-
<b>Total</b>		223,673	-
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		223,673	-
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		\$ 1,072,049	\$ 10,820

**Note - Basis of Presentation:**

The accompanying schedule of federal awards includes federal grant activity of the City of Menominee, and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



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<u>Current Year Expenditures</u>	<u>Year Receipts (Cash Basis)</u>	<u>Accrued (Deferred) Revenue 6/30/2006</u>
\$ 133,133	\$ 133,133	\$ -
121,100	121,100	-
<u>330,667</u>	<u>-</u>	<u>330,667</u>
<u>584,900</u>	<u>254,233</u>	<u>330,667</u>
12,142	22,962	-
<u>1,085</u>	<u>1,085</u>	<u>-</u>
<u>13,227</u>	<u>24,047</u>	<u>-</u>
<u>598,127</u>	<u>278,280</u>	<u>330,667</u>
<u>132,935</u>	<u>132,935</u>	<u>-</u>
<u>132,935</u>	<u>132,935</u>	<u>-</u>
<u>132,935</u>	<u>132,935</u>	<u>-</u>
<u>\$ 731,062</u>	<u>\$ 411,215</u>	<u>\$ 330,667</u>



**CITY OF MENOMINEE**  
Schedule of Findings  
For the Year Ended June 30, 2006

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**Section I – Summary of Auditors’ Results**

**Financial Statements**

Unqualified opinion issued.

No reportable conditions or material weaknesses were disclosed.

No noncompliances were disclosed.

**Single Audit Items**

No reportable conditions or material weaknesses in internal controls over major programs were disclosed.

Unqualified opinion issued on compliance for major programs.

Major Program – CFDA Number 20.205– Federal Surface Transportation.

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.

City of Menominee is a low risk auditee.

**Section II – Findings Relating to the Financial Statements Audit in Accordance with Government Auditing Standards**

No illegal acts involving laws and regulations.

No noncompliance with provisions in contracts and grant agreements.

No reportable conditions or material weaknesses were disclosed.

**Section III – Findings and Questioned Costs for Federal Awards Using Section 510(a)**

There were no Single Audit Findings and no Questioned Costs.



**CITY OF MENOMINEE**  
Schedule of Prior Year Audit Findings and Corrective Action Plan  
For the Year Ended June 30, 2006

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**Prior Year Findings**

None

**Corrective Action Plan**

None required





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December 14, 2006

Honorable Mayor and City Council  
City of Menominee, Michigan

In planning and performing our audit of the financial statements of the City of Menominee (City) for the year ended June 30, 2006, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

We became aware of several matters that are opportunities for strengthening internal controls and operating efficiency that we have detailed below. We previously reported on the City's internal control in our report dated December 14, 2006. This letter does not affect our report dated December 14, 2006, on the financial statements of the City.

Because of the change in leadership shortly after our presentation of last year's audit, some of our recommendations from last year have not been implemented. The recommendations that follow are partly a reiteration of those from last year which we feel should be considered for implementation. We have also included some new issues for this year:

## Separation of Duties

The size of the City's office staff has prevented the separation of functions necessary to assure an adequate internal control structure. It is not practical to hire additional staff solely for the purpose of separation of duties. However, the Council should continue to be aware of this condition.

## Cash Controls

- We recommend the City consider implementing inexpensive computerized point-of-sale systems for the Parks and Recreation, Police Department, and Library, to provide controls over the collection and recording of cash. Such software has built-in controls which will mitigate the lack of oversight and separation of duties in these departments. It is expected the software will also result in more efficient reconciling and reporting of cash receipts.



### Cash Controls (continued)

The City should consider accepting credit card payments. This could be included in the implementation of the point-of-sale systems mentioned above, and could also be activated in the current system in the treasurer's office. In addition to the convenience for the City's residents, credit card receipts offer several security benefits to the City. Less handling of cash and an independent reporting of receipts from the depository bank are two examples of such benefits.

- Bank stamps should be provided to each department accepting checks as a form of payment, so that all checks may be restrictively endorsed immediately upon receipt. A password should exist to prevent access to the signature file used to sign disbursement and payroll checks. This password should be known only to authorized signers on the accounts. Proof reports should be provided to the "signer" for review just before checks are printed. The signer should then sign off on the proof and enter the password to produce the checks.

### Payroll Controls

A control sheet should be developed and maintained, showing each active employee, his or her rate of pay, normal hours worked and gross amount expected for regular hours or salary. This control sheet will facilitate review by an authorized signer of the payroll just before printing checks. This method will prevent over and under-payment errors, as well as ghost payrolls and other forms of payroll fraud. This recommendation was included in last year's letter to management, and we feel it is important to consider this for immediate implementation. During our audit, we discovered an overpayment to an employee. Such a control sheet would have brought attention to any special payments, such as retroactive pay increases or additional compensation, and the reviewer would have recalculated such special payments and prevented the error.

- Schedules should be developed to assist the payroll clerk in reconciling payroll detail to weekly tax deposits and quarterly payroll tax returns. Additional schedules should be developed to assist in tracking compensated absence amounts used and available. In general, more efficient procedures should be developed for producing payroll and the related payments to taxing agencies and other third parties. Time cards should be prepared and signed by employees. Any changes made to reclassify time from one project to another should be initialed by the employee. This will prevent override of budgetary controls by department managers.



### Marina Controls

- A control sheet should be developed and maintained showing each available slip and the related rental rate. Marina management should provide the City with a report of the billing and a monthly report of outstanding receivables. The City should reconcile the control sheet to the billing to ensure each slip has been properly billed, and should record receivables in the City's financial records.

The Marina Management Group has installed computers at each point of sale. Reports from these computerized cash registers should be included with the cash deposits so that the amount of the deposit can be reconciled to the cash register report.

The budget submitted by the management group should be entered into the City's accounting system. Expenditures should be posted to proper categories, in the same level of detail as the budget, rather than to a single account, "Contracted Services". Revenues should also be posted to detailed accounts. Such a system will provide budgetary controls to afford City's management with better oversight and accountability for Marina activity.

### Purchasing and Procurement

The City has a policy which requires purchase orders for expenditures over \$1,000. Department managers are apparently not complying with this policy. Purchase orders are being prepared from vendor invoices after the fact, which renders the purchase order system useless. Strict enforcement of purchasing policies is needed to prevent expenditures in excess of appropriations.

### Communication Among Departments

Better communication is needed among managers and the accounting department in order to prevent misstatement of financial reports. During our audit it was discovered that a significant economic development loan by the City to a local business had been discharged in bankruptcy court nearly a year before, but that no communication of this fact had been made to the treasurer so that the receivable could be written off.

### Excessive Number of Journal Entries

- An effort should be made to implement the integration features of the accounting system to allow for entry to the general ledger directly from the initial entry to subsidiary ledgers. This not only provides for a more efficient process, but it also prevents override of controls and results in a stronger audit trail. The accounting department has made good progress in this endeavor, and the number of journal entries has decreased significantly from previous years. However, more improvement is needed in this area.



Conclusion

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with key members of management, and will be pleased to discuss them in further detail or assist with implementation.

We thank you for allowing us to be of service to the City of Menominee. We received complete cooperation from all staff members during the audit. The City Manager, City Clerk/Treasurer and City Accountant are very competent and conscientious in performing the necessary functions to ensure the fiscal well-being of the City. They are doing an excellent job to protect the integrity of the City's financial records and to make certain of the accountability of all City employees in protecting the City's assets.

Sincerely,

**KERBER, ROSE & ASSOCIATES, S.C.**

A handwritten signature in black ink, appearing to read "Brad Walters", written in a cursive style.

Bradley R. Walters, CPA